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SUBJECT: IRAN REGIONAL PRESENCE OFFICE - WINDOW ON IRAN - JANUARY 17,
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CLASSIFIED BY: Ramin Asgard, Director, Iran Regional Presence
Office - Dubai, DOS.
REASON: 1.4 (b), (d)

11. [U] This January 13, 2009 edition of Window on Iran was sent
out on that date via classified e-mail.

12. [S/NF] Russians Offer Iran Security Inducements to Shun US
Negotiations: According to a former Guardian Council member and
as corroborated by a former IRGC general, Russia has reportedly
offered Iran major incentives not to enter negotiations with the
US aimed at defusing bilateral tensions. One major element of
these incentives is reportedly providing Iran the advanced S-300
antiaircraft system. Comment: Russia's "counter-package" is
likely meant to encourage Iran to resist any temptation to
accept the P5+1 incentives package. If accurate, this measure
entails Russia actively undermining the P5+1 bargaining position
and seeking to dissuade any Iranian security accommodation with
the US.

13. [S/NF] Supreme Leader Taking Cautious Steps Towards US-Iran
Reconciliation: Reportedly encouraged by the prospect of a new
US approach to Iran by the incoming US administration, Supreme
Leader Khamenei is taking careful, but important steps towards
laying the foundation for improved ties, say three well-placed
Iranians. First, he has reportedly tapped his highly
influential son, Mojtabah, to head a commission run out of the
Supreme Leader's Office to explore possible steps towards
relations with the US. Second, Khamenei has reportedly ordered
all current occupants [thought to be mostly IRGC] of the former
US Embassy in Tehran to vacate the premises. Comment: While
plans for the US Embassy are perennial grist for rumor, a
high-level commission within the SL's office run through
Mojtabah corroborates other reporting indicating Mojtabah's
central role as the primary gatekeeper to his father and
indicates the importance the SL assigns to direct control of
this issue. Other key figures reportedly charged with advising
the SL on US-Iran relations are Ayatollah Mahdavi-Kani (SG of
the Combatant Clergy Association and president of the
influential Imam Sadiq University), Brigadier General Mohammad
Hejazi (a senior IRGC official serving in a liaison capacity
with the SL's office), and Hashemi Rafsanjani.

14. [S/NF] Khamenei Offers AN Full Support, Rival Principalists

Condition Theirs: According to a former Guardian Council member, after a period of intense pre-election consultations among regime insiders, Supreme Leader Khamenei has reportedly decided to lend his full support to Ahmadinejad's reelection. To bolster AN's chances, Khamenei has reportedly told AN he may tap into Iran's foreign exchange reserves for funds as needed. If the Majles objects, the SL has pledged to wield his status as velayat-e faqih to quash any dissent. Rival Principalists have meanwhile conditioned their support for AN's second term on guarantees he would consult in advance before taking radical policy steps. Comment: Many analysts believe that AN's economic reform plan, which calls for elimination of subsidies on fuel, water, and electricity as well as raising taxes to counter declining oil prices, will likely pass the Majles in late February despite concerns the plan will increase inflation and unemployment. According to a Tehran-based political risk analyst, AN's opponents are trying to remove the social welfare components (primarily cash payments in lieu of subsidies), in an effort to force AN to incur the public backlash for removing subsidies without the mitigating effect of cash handouts. Khamenei's pledge of financial resources restores AN's capacity to provide these handouts, and if needed to use patronage and subventions to boost his support.

15. [C/NF] Iranian Businessmen Facing Declining Demand, Cost Increases, Sanctions, and Subsidy Reform: Iranian businessmen seeking visas in Dubai told IRPO Consular Officer that certain sectors of the Iranian economy are slowing, perhaps dramatically, and that businesses are struggling just to survive. An iron salesman and a concrete salesman reported declining sales of 30 to 40 percent over the past quarter, which tracks with a general slowdown in the real estate and construction sectors. A sugar factory owner estimated that 50 percent of Iranian factories may have closed or will soon do so. He also noted that his factory's electricity bills now reflect two prices; one is the current subsidized price, and the second the price he would pay if subsidies were removed. The

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subsidized price is four times higher, and this factory owner said he would be forced to close if subsidies were removed. In addition to these woes, another Iranian industrialist noted that international economic and financial sanctions are driving up the cost of business and limiting investment - which is hitting the private sector especially hard. Comment: Already strained to the breaking point, the Iranian private sector's survival may rest on derailing AN's subsidy reform plans. If the bazaar protests of October 2008 (in response to an attempt to institute a VAT tax) and the unrest at the outset of the gas rationing system are any indication, such reforms will trigger upheaval. Managing this process will require considerable tact, and quite likely a dose of force by the IRIG.

16. [S/NF] IRIG Stops Historical Research International Visitor Exchange: IRIG officials have denied participants in the planned IVLP program on historical research permission to travel to the U.S. One participant told us that they were forbidden to travel to the U.S. "as a group" for the next two months but they could travel abroad as individuals. The denial follows recent press reports of a new MFA commission established to vet travel connected to U.S. exchange programs. Participants in the exchange program only learned of the permission requirement at the end of December. Comment: The need for university professors to get permission from their universities for travel to the U.S. has been on the books for several years, but it has never been rigorously enforced. Likewise, MFA has generally been supportive of exchanges according to our contacts; however, the IRIG has prevented four other exchange programs from going traveling since September. The two-month travel ban mentioned by the participant suggests the IRIG may be willing to revisit the issue of exchanges in a more systematic way, following the change in administrations and a possible overture from the U.S.

¶7. [C/NF] Kargozaran Newspaper Closed - May Re-open Under New Name: A journalist that formerly worked with the now closed newspaper Kargozaran told IRPO consular officer that the newspaper may re-open again under a new name in the future. The Iranian government closed the newspaper on December 31, 2008 for publishing a commentary by the Office of Consolidating Unity, Iran's largest student group, "justifying the anti-human crimes of the Zionist regime" and denouncing Hamas actions as terrorism. The relevant passage follows: "Today's crimes by Israel in Gaza should be strongly condemned. But to the same extent, terrorists hiding among schools and hospitals and non-combatants should also be condemned and be considered an anti-humanitarian movement." Comment: Kargozaran was the press organ of the Executives of Construction, a technocratic conservative de facto political party founded and sustained by Hashemi Rafsanjani.

¶8. (U) Window on Iran is a new classified, weekly product providing Washington policy community and Iran watcher highlights of key developments on Iran. It is produced by the Iran Regional Presence Office - Dubai. Please direct any questions/comments to: Kay McGowan (mcgowanka2@state.sgov.gov) or Charlie Pennypacker (pennypacker@state.sgov.gov).
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